



Jesse Craig <jcraig701@gmail.com>

Re: Subordination

1 message

Jesse Craig <jcraig701@gmail.com>

Thu, Aug 26, 2021 at 11:00 AM

To: Charles Aarestad <charles.aarestad@redriverbank.com>

Cc: David Strait <david@austinlawsd.com>, Danielle Harless <danielle.harless@redriverbank.com>

Thank you all for working so diligently on this.

The cost increases, not overruns, we're caused due to increases in costs and labor as well as delays in getting supplies and labor due to the pandemic.

It is unfortunately a common issue across the country but in no way should affect the TIF nor WDC's position.

Jesse R. Craig

Work. 701-232-1355

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On Aug 26, 2021, at 10:53 AM, Charles Aarestad <charles.aarestad@redriverbank.com> wrote:

David,

Per our conversation, attached is the plat that would have been signed by the city officials. Also attached is the Original Sworn Construction Statement and UPDATED Sworn Construction statement on Parkside Place LLC.

From this SCS from earlier in August it appears to me that a cost overrun of \$621,909.88 is what happened over budget (COVID). Not knowing exact but good portion was cement, drywall, lumber which doesn't surprise me. I don't know if this SCS factored in the TIF Development \$ that came into play.

The \$5,725,961.57 is what I have for what we ended up being in at thru the final draws. Perm financing at this time is looking like the following where Parkside Place will need to come in and BUY DOWN the project at this time. See below this is assuming something is factored into this that shouldn't be such as a cost paid by developer that should have been a WDC/City of Watertown Cost.

<image003.png>

Unless the SD Redi increases their amount to the requested \$2,385mm (sitting on their desks now) this is looking like the avenue at this point and time. Again I'm trying to piece this all together under the gun so if I overstate a number or missing something that I'm unaware of that wouldn't surprise me.

I hope this gives clarity to our discussion and based on this it appears to me the intent is still to get back to the original agreed upon position with the WDC, we are just from my perspective running into how to deal with the overage/FINAL Draw that was seen and get that settled so we can shift into full takeout term come Late October/November.

Jesse if you have any comments on the above on why that cost increase happened such as you replace city infrastructure that would be reimbursed or if it was all due to COVID-19/Supply Chain/Labor issues etc.

Reply ALL please.

Charles Aarestad

Vice President

Red River State Bank

300 2nd Ave West

Halstad, MN 56548

Phone: (800) 472-1754 (Toll Free)

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E-mail: Charles.Aarestad@Redriverbank.com

From: David Strait [mailto:david@austinlawsd.com]

Sent: Thursday, August 26, 2021 9:49 AM

To: Charles Aarestad <charles.aarestad@redriverbank.com>

Subject: RE: Subordination

Charles

Thanks for that explanation. It will be up to the BOD to approve a subordination agreement. I am sure they will have the question of why is an additional \$1.8m being borrowed now? Was this part of the initial budget etc..... Do you have information or details on why the additional money is needed and if this money was actually part of the initial projections? Any info you can provide that will help the board would be appreciated.

Do you have the latest title commitment?

Thanks

<image002.png>

David R. Strait

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From: Charles Aarestad <charles.aarestad@redriverbank.com>

Sent: Wednesday, August 25, 2021 8:36 PM

To: 'Jesse Craig' <jcraig701@gmail.com>; David Strait <david@austinlawsd.com>

Cc: Mark Vaux <mark@watertownworks.com>; Nicole Rislov <NRislov@thetitlresourcenetwork.com>

Subject: RE: Subordination

All,

Just for clarification what needs to be accomplished can be done two ways:

1. Option 1 would be to replace the original mortgage and have a subordination match that. When Parkside Place LLC final take out term is ready to take over after the project it bought down by SD REDI program we could leave that mortgage in place but will be at a higher number close to \$5,725,961.57 = total final construction costs. This will be cumbersome in the end and will always look like we have a \$5.7+ mortgage that is re-advancing out there. We will be paid down to the \$3.8 mark but it will be on a \$5.7+ mortgage.
2. Option 2 would be to file an additional mortgage for \$ \$1,863,819.57 leaving the original \$3,862,142 mortgage in place that is already subordinated too and have WDC subordinate to this as well. When the SD REDI comes in this will buy down the construction financing BLOC back to the \$3,862,142 or less. When this happens RRSB will elect to release the additional \$1.793mm mortgage putting WDC back in the original place it intended to be.

I think there was miscommunication on behalf of Martin @ RRSB and he wanted things structured for the final position, but lost track of the interim financing to get the project to the Full CO status and into final long term financing. I recommend doing option #2 as this will be cleaner all said and done, but I will double check with Nicole if stacking mortgages for title commitment is prohibited.

Also If I as RRSB officer do not need to sign off on the subordination that would make things easier logistically, but if need be I can be down in Watertown tomorrow to sign what is needed just let me know earlier in the day before 10am if possible.

Charles Aarestad

Vice President

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E-mail: Charles.Aarestad@Redriverbank.com

From: Jesse Craig [<mailto:jcraig701@gmail.com>]
Sent: Wednesday, August 25, 2021 5:40 PM
To: David Strait <david@austinlawsd.com>
Cc: Charles Aarestad <charles.aarestad@redriverbank.com>; Mark Vaux
<mark@watertownworks.com>; Nicole Rislov <NRislov@thetitleresourcenetwork.com>
Subject: Subordination

David,

We have finalized the build numbers on Parkside and we need to change the first mortgage so we need an updated subdivision from WDC.

I'm in town tomorrow and grab it after Mark has signed it and take it over to Nicole at First Dakota Title.

Sorry for the short notice. Please let me know if this can be accomplished.

Thank you sir!

Jesse R. Craig

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